

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 251 (Delegate Anderson, *et al.*)
(By Request – Baltimore City Administration)

Ways and Means

Budget and Taxation

Baltimore City - Property Tax Credit for Newly Constructed Dwellings

This bill extends the termination date of the Baltimore City property tax credit for newly constructed dwellings from June 30, 2007 to June 30, 2009.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: None.

Local Effect: The decrease in property tax revenues in Baltimore City resulting from the tax credit would continue through FY 2009. The loss is estimated at \$4.1 million in FY 2008 and \$5.5 million in FY 2009.

Small Business Effect: None.

Analysis

Current Law: Baltimore City may grant a property tax credit against city property taxes imposed on newly constructed dwellings owned by qualified owners. The credit is 50% for the first taxable year and decreases 10% each year until it expires after the fifth year. After June 30, 2007, additional owners of such properties may not be granted the credit.

Background: Chapter 616 of 1994 authorized Baltimore City to grant newly constructed or first purchased dwellings a property tax credit. Chapter 137 of 2000 extended the June 30, 2000 termination date until June 30, 2002. Chapter 493 of 2002 extended the

June 30, 2002 termination date until June 30, 2005, and repealed the authority for Baltimore City's property tax credit for first purchased dwellings. Chapter 474 of 2005 extended the June 30, 2005 termination date until June 30, 2007. The following table summarizes the number and amount of the credits since fiscal 1996.

<u>Fiscal Year</u>	<u>Number of Credits</u>	<u>Amount of Credits</u>
1996	30	\$20,295
1997	199	133,333
1998	15	229,663
1999	149	309,237
2000	141	330,747
2001	130	418,921
2002	211	481,490
2003	128	704,261
2004	170	1,120,122
2005	212	1,410,744
2006	993	1,800,000
2007(est.)	1,432	2,600,000

Baltimore City indicates that the credits are concentrated in three locations: (1) South Baltimore (in Federal Hill and Riverside neighborhoods); (2) the Boston Street Corridor (Fells Point and Canton); and (3) Heritage Crossing (Martin Luther King Blvd.).

Local Fiscal Effect: Baltimore City estimates that extending the tax credit would reduce Baltimore City property tax revenues by approximately \$4.1 million in fiscal 2008 and \$5.5 million in fiscal 2009. The actual decrease depends on the number of newly constructed or first purchased dwellings during the fiscal year.

Additional Information

Prior Introductions: Chapter 474 (SB 314) of 2005 extended the termination date of the program from June 30, 2005 to June 30, 2007. Chapter 493 (HB 125) of 2002 extended the termination date of the program from June 30, 2002 to June 30, 2005. Chapter 137 (HB 536) of 2000 extended the termination date of the program from June 30, 2000 to June 30, 2002.

Cross File: SB 224 (Senator McFadden) (By Request – Baltimore City Administration) – Budget and Taxation.

Information Source(s): State Department of Assessments and Taxation, Baltimore City,
Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2007
ncs/hlb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510